Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates.*

The Board's strategic priorities are: Leading Regulatory Excellence, Take Action on Safety and Engaging with Canadians.

The NEB receives its funding through annual Parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2016-17 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Planned expenditures analysis

As reflected in the *Statement of Authorities*, the department's planned expenditures in the fiscal year as at March 31, 2017 is $89.4 million (M), as compared to $76.8 M as at March 31, 2016. The increase of $12.6 M is primarily due to the net impact of an increase of $17 million for Energy Transportation Infrastructure (Budget 2015) and a decrease of $5.5M for Regulatory reviews of Mega energy projects (Budget 2014).

Actual Expenditures analysis

As reflected in the *Departmental Budgetary Expenditures by Standard Object*, the department's actual expenditures in the first quarter of this fiscal year are $18.8 M, as compared to $17.8 M same period last year. The increase of $1.0 M in actual expenditures is primarily due to the following:

- Year to date personnel spending in the quarter end June 30, 2016 is $0.64 M more than the same period last fiscal year. Most of this variance is attributable to a $0.38 M of salaries month end accrual as well as an increase of statutory spending of $0.16 M as a result of funding received for Energy Transportation Infrastructure.

- Year to date transportation and communications spending in the quarter end June 30, 2016 is $0.19 M more than the same period last fiscal year. This is due to increased travel activities related to the hearing process and stakeholder engagement.

- Year to date professional and special services spending in the quarter end June 30, 2016 is $0.52 M more than the same period last fiscal year. This is primarily due to increased IT services of $0.34 M mainly related to PeopleSoft as well as translation costs mainly related to Trans Mountain Pipeline Expansion Project (TMX) and Financial Regulatory Audit Reports.

- Year to date rental spending in the quarter end June 30, 2016 is $0.31 M less than the same period last fiscal year. This is primarily due to $0.20 M of rental hotel in 2015-16 for TMX hearing process as well as $0.07 M less spending rental related to computer software.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditure and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental,

societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board is an early adopter of the Departmental Results Framework and is aligning resources and structure of the organization to priorities and results.

Approval by Senior Officials

Approved by,

C. Peter Watson, P. Eng. FCAE

Chair and CEO

(Calgary, Canada)
(20 August 2016)

Paula Futoransky

Chief Financial Officer

STATEMENT OF AUTHORITIES
(unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
Operating expenditures	80,581	16,570	16,570	68,580	15,728	15,728
Contributions to employee benefit plans	8,844	2,211	2,211	8,184	2,046	2,046
Total Budgetary authorities	**89,425**	**18,781**	**18,781**	**76,765**	**17,774**	**17,774**
Non-budgetary authorities						
Total authorities	**89,425**	**18,781**	**18,781**	**76,765**	**17,774**	**17,774**

More information is available in the attached table.

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
Expenditures:						
Personnel	60,265	15,839	15,839	56,901	15,203	15,203
Transportation and communications	5,228	696	696	3,617	508	508
Information	498	88	88	689	10	10
Professional and special services	15,684	1,514	1,514	9,934	999	999
Rentals	1,494	55	55	689	368	368
Repair and maintenance	996	331	331	689	389	389
Utilities, materials and supplies	498	49	49	344	85	85
Acquisition of land, buildings and works	-	27	27	-	5	5
Acquisition of machinery and equipment	498	43	43	1,206	27	27
Transfer payments	4,264	130	130	3,214	170	170
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	9	9	-	10	10
Total gross budgetary expenditures	**89,425**	**18,781**	**18,781**	**77,283**	**17,774**	**17,774**
Less						
Total Revenues netted against expenditures	-	-	-	**518**	-	-
Total net budgetary expenditures	**89,425**	**18,781**	**18,781**	**76,765**	**17,774**	**17,774**